

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Date: January 12, 2010

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL 4945.04-04

LEGEND

C=

Dear :

We have considered your request for advance approval of an employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated July 8, 2009.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you were classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program which will award scholarships of varying amounts to children or grandchildren of the employees of C. To qualify for a scholarship, at the time of initial application, an individual's parent or grandparent must be currently employed by C and have been so employed for a period of at least two (2) years. Scholarships will be awarded to graduating seniors of any accredited high school or accredited home schooling program who are intending to pursue a baccalaureate degree or two year associate degree at an accredited college or university or students who are currently enrolled and attending an accredited college or university. Students must carry a full class load to be eligible.

The required grade point average to be eligible for the scholarship program is 2.5. The additional criteria for awarding scholarships to meet either the 25% test or the 10% test will include a written essay, school participation, extracurricular and/or community activities, leadership roles, standardized test scores, letters of recommendation and financial need. A copy of each applicant's transcript including standardized test scores must be attached to each application. Applications would include any personal,

family or financial circumstance that the applicant feels should be considered in the awarding of the scholarship.

An independent Scholarship Selection Committee selected by the Board of Trustees of your Foundation will review all scholarship applications. To the extent possible, the Scholarship Selection Committee will include individuals knowledgeable in the education field. The Scholarship Selection Committee members will be completely unrelated to your Foundation and C. And neither your Foundation nor C will be involved in the process of selecting recipients. Each member of the Scholarship Selection Committee will review the applications and the additional materials submitted. Each member of the Scholarship Selection Committee is obligated to disclose any personal knowledge of and relationship with any applicant and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any applicant is selected over others. No scholarship may be awarded to any members of the Trustees of your Foundation or C or the children or grandchildren of either organization, or any member of the Scholarship Selection Committee or their children or grandchildren.

The program will not be used by the Employers of C or your Foundation to recruit or induce employees to continue their employment or otherwise follow a course of action sought by an Employer. In no event will a scholarship be terminated because the recipient's parent or grandparent terminates employment after the initial grant is made. Similarly, in the event scholarship grants become renewable, scholarship recipients will not become ineligible for renewal of the scholarship if their parents or grandparents terminate employment with C.

There is no limit on a recipient's selected course of study and therefore the Employers do not benefit from the program or the recipient's education. Scholarship grants are paid directly to the educational institution. The Scholarship Selection Committee reviews and monitors recipient's enrollment and compliance with minimum academic performance.

You will maintain records that include:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the organization and C);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering your scholarship program.

Your process for selecting individuals is completely objective and non-biased. There will be no restrictions or limitations in the selection process based on race, color, religion, or national or ethnic origin of the applicants. Decisions on applicants to receive scholarships will be based solely on compliance with the program's eligibility requirements and need.

A condition of each scholarship grant is that the scholarship grant will be used only for qualified tuition and related expenses. Accordingly, the scholarship grant can be used only for: (1) tuition and fees required for the enrollment or attendance of the student at a qualifying institution and/or (2) fees, books, supplies and equipment required for courses of instruction at such an educational institution. The scholarship recipient will

be required to maintain appropriate records establishing the grant amounts were used for qualified tuition or tuition related expenses. The recipient must submit to you a verified transcript after he or she has completed each semester of study. The recipient must maintain the cumulative minimum grade point average required by the education institution so that the student is not placed academic probation for each semester of the two or four year degree program. Should the recipient fail to maintain the minimum required grade point average, he or she will be placed on probation. During the probationary period, the scholarship recipient must reestablish the cumulative minimum grade point average required by the educational institution to avoid academic probation or you will terminate the scholarship and require that the scholarship funds be returned. Recipients will also be required to notify you that if they transfer to another educational institution, they must provide you with an official statement from the institution indicating that they have been granted admission. The Scholarship Committee will review the transcript on a semi-annual basis. If you do not receive the required reporting, no payments will be made until any delinquent reports have been submitted. If after review of the reports provided by the student, you learn that the student has been placed on academic probation; he or she will be placed on "probation". During this period, the scholarship recipient must reestablish the cumulative minimum grade point average required by the educational institutional institution to avoid academic probation or you will terminate the scholar and require that the funds be returned. If you learn that a student is not enrolled by the institution as a full time student or that funds have not been used to further the purposes of such grant, you will take all reasonable and appropriate steps to recover the funds, including assurance that future diversion will not occur.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as

eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements